

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY INFRASTRUCTURE AUTHORITY'S	)	
JOINT APPLICATION ON BEHALF OF	)	
CERTAIN WATER DISTRICTS FOR	)	CASE NO.
AUTHORITY TO BORROW FUNDS TO PREPAY	)	10279
INDEBTEDNESS TO THE FARMERS	)	
HOME ADMINISTRATION	)	

O R D E R

On June 2, 1988, Kentucky Infrastructure Authority ("KIA"), a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky, filed an application on behalf of certain water districts. The districts are identified as follows: Christian County Water District, Edmonson County Water District, North Mercer Water District, Oldham County Water District, South Hopkins Water District, Union County Water District, Webster County Water District, and Caldwell County Water District ("Water Districts"). The application is for authority pursuant to KRS 278.300, KRS Chapter 74, and 807 KAR 5:001, Sections 11 and 14, to prepay certain indebtedness owed to the Farmers Home Administration ("FmHA") as provided under the FmHA's discount prepayment program ("FmHA's Program"). The actual discounted price for repaying each loan will be established under applicable FmHA rules at the time of prepayment to the FmHA.

The Water Districts' participation in the FmHA's Program would be accomplished through a proposed bond issue by the KIA in an estimated amount of \$18,500,000. The KIA would provide the Water Districts with the funds necessary to allow them to prepay indebtedness owed to the FmHA. The projected savings for the Water Districts is preliminary since the discount factor for prepaying the loans is subject to change and the interest rate on the refunding bonds will not be known until the bonds are sold. However, the KIA warrants that the issuance of the bonds will provide projected savings to the Water Districts. In return, the local borrowers would enter into new evidence of indebtedness ("Assistance Agreements") with the KIA, obligating the local borrowers to make payments to the KIA or to a bond trustee on behalf of the KIA in a sufficient amount to enable the KIA to repay the bond issue. The Water Districts' willingness to voluntarily participate in the FmHA's Program and the refunding bond issue has been furnished to the Commission in a Participation Certificate.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the issuance and sale of the refunding bonds by KIA as described herein is intended to accomplish the purpose of strengthening the financial condition of the Water Districts by reducing their debt service payments and is necessary and appropriate for performance by the Water Districts of their services to the public, and is for a lawful object within the corporate purposes of KIA, is necessary and appropriate for and consistent with the proper performance by KIA

of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that:

1. The application be and it hereby is approved. KIA is authorized to issue and sell the proposed refunding bonds to the water districts if it results in an annual effective overall embedded cost, including recovery of any issuance costs, less than the annual effective embedded cost of each borrower's current outstanding debt that is to be refinanced under the FmHA's Program with the above proceeds.

2. KIA shall, as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a Statement of Interest outlining the date or dates of issuance of the securities authorized herein, the price paid, all fees and expenses involved in the issuance of the securities, the terms and interest rates of authorized securities herein, and final schedules with detailed loan information with the projected savings or other benefits for the Water Districts.

3. The proceeds from the securities authorized herein shall be used for lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this

24th day of June, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director